

98-84379-25

Ritchie, Thomas

On the future of  
co-operative production  
[Manchester]

1891

98-84379-25

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ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

334	
25	Ritchie, Thomas
v 5	On the future of co-operative production; a paper read... 1891. [Manchester?], <del>1891</del> <del>18</del> Printed by the Scottish Co-operative Wholesale Society Limited, 1891. Vol. of Pamphlets 13 p. 19 cm.

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## TECHNICAL MICROFORM DATA

FILM SIZE: 35mmREDUCTION RATIO: 10:1IMAGE PLACEMENT: IA (IIA) IB IIBDATE FILMED: 4-1-98INITIALS: FBTRACKING #: 32600

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

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ON THE FUTURE  
OF  
CO-OPERATIVE PRODUCTION:

A PAPER

READ BY

MR THOMAS RITCHIE,  
(Secretary of the Scottish Industrial Association).

AT THE

*Quarterly Meeting of the Falkirk District Co-operative  
Conference, held at Grahamston, on Saturday,  
14th February 1891.*



PRINTED BY THE SCOTTISH CO-OPERATIVE WHOLESALE SOCIETY LIMITED.  
1891.

## ON THE FUTURE OF CO-OPERATIVE PRODUCTION.

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BELIEVE the majority here will agree with me in regarding labour as the principal factor in production. I do not mean to assert that capital and custom are unnecessary to complete the circle of successful production as well as distribution, but what I do maintain is, that both capital and custom, although all-important factors, are entirely dependent on labour, skilled or unskilled, at many stages in the process of making any article, whether it be food, clothing, or machinery; and that the ultimate value or usefulness of any product depends largely upon the amount of skill and honest labour bestowed on it while passing from the raw material to the finished commodity.

Capital would rot, waste, or become exhausted, were it not for the muscle, sinew, and intelligence, constantly engaged in preserving, cleaning, repairing, and renewing it in its various forms for the benefit of all.

Consumers would starve, were it not for the continual renewal of the supplies that bring comfort or luxury (as the case may be) to the teeming millions of Great Britain.

Were not these economic truisms so systematically ignored or evaded in discussing the relations between labour and capital, it would have been unnecessary for me, on this occasion, to have brought them under your notice.

### WORKERS AND CONSUMERS.

Broadly speaking, we may divide our 36,000,000 of population into two classes—those who are *both* workers and consumers, and those who are consumers *only*. "The number of the middle and higher classes is estimated at 10,000,000, with an annual income of £821,000,000, leaving 26,000,000 of persons belonging to the manual labour class, with an annual income of

"£521,000,000. Deduct the amount which the 10,000,000 (of "middle and higher classes) have to expend for necessities, viz.: "£200,000,000, and the balance of £620,000,000 represents "the gross annual expenditure on the luxuries of wealth. The "result, however, is far more astounding, when it can be shown "that of these £620,000,000, no less than £550,000,000 are "expended for the entire and special luxury of about 750,000 "families, or less than 3½ millions of our population."

Why does this small proportion of our population control the lives and labour of the rest? The answer is simple enough. Because they possess absolute sway over the great mass of the wealth of the country, in the shape of land, capital, and machinery. If it be true (and I have no reasons to doubt the accuracy of the statistics just quoted) that at least "one-half of "the whole labour of the United Kingdom is expended on the "production of luxuries for the wealthy," how is it possible that any scheme of profit sharing, *based upon dividends on purchases or consumption alone*, can ever bring about the much wished for, and much needed social elevation of the worker? While the present competitive wage system obtains, while the land, capital, and machinery remain in the hands of a few rich families, who, by virtue of their *vested* interests therein, retain possession of the greater portion of the *income*, and therefore *purchasing power* of the country; the majority of the working classes, being deprived of this purchasing power, will never be able to materially improve their condition of life.

Something more than store dividends, something more than the savings on a miserably inadequate expenditure of small wages on the necessities of life, is needed to accomplish their social salvation. Until the interests of capital and labour become merged in one; until the poor and the rich, the idler and the loafer become unknown quantities in our civilization; and, until there is an effort made on the part of society to realize to some extent the true significance of the co-operative ideal, "Each for all, and all for each," there is but little hope of genuine and permanent economic progress.

The social gulf that separates the idle rich from the workers is only too apparent. Although living in the same city, perhaps in streets adjacent to each other, the *two nations* are distinct in conditions of living, education, social sympathies, and pursuits. The sins and sorrows of the one, find, in many cases, no

counterpart in the crimes and miseries of the other. If co-operation has any mission worth striving for, surely it lies in the destruction of this vicious social barrier that now divides the classes from the masses.

#### COMPETITIVE WAGES.

It is a well-known fact that "wages are not a fixed quantity, "but constantly varying, being subject to the fluctuations" caused by the competition of capitalists on the one hand, and the struggle for employment on the part of men and women in the labour market, on the other.

The iron laws of supply and demand act with pitiless severity upon the labour power of the country. Should the number of labourers increase out of proportion to the amount of work to be done, or should a glut in the market occur through over-production of any commodity, a powerful leverage is at once brought to bear, with the inevitable result of reducing wages to, and in some cases, below the subsistence point.

That labour is super-abundant in this country, is evident from the fact, that in addition to nearly 1,000,000 of permanent paupers, we have a fringe of out-of-works constantly dropping into the ranks of poverty, or harassing their trade unions with claims on their funds. Sometimes these claims are exceedingly heavy and difficult to meet, and we are not without instances of Union funds being entirely inadequate to meet the demands made on them during a severe depression of trade.

Now, while there are among employers some excellent men, still on the other hand, we know there are many more who never miss an opportunity of taking from the workers to add to their own gains. Under the pressure of such conditions, need we wonder that labour is so often in revolt, and that strikes or lock-outs embitter the struggles that prevail in the industrial world of to-day.

The recent struggle of the Scottish Railway employees to emancipate themselves from the slavery of long hours and over-work, comes as an apt illustration on this occasion. The struggle furnishes us with a picture lesson, vividly burned into the memories of most of us, a picture lesson, showing us the hopelessness of our ever being able to reconcile labour and capital on anything like a permanently equitable basis while the present barbarous system of *competitive* industry continues to exist.

Boards of Conciliation and Sliding Scales, again, are but stop-gaps. They cannot, any more than strikes for higher wages or increased pay for overtime, provide regular healthy employment and provision against sickness or accident, or for well-earned repose in old age, to the many millions toiling around us to supply our daily wants.

While fully appreciating the value of these palliatives, still we cannot but feel that we must look further for a more effective remedy to cure our industrial anarchy, and in co-operative production, many believe we have a powerful means of raising labour from its present degraded hand-to-mouth existence, into a condition of comparative comfort and social happiness.

If, in the redistribution of wealth which must follow the growth of co-operation in production, the idle rich have *less* to spend and the worker *more*, surely such a readjustment of equity's scales is worth striving for persistently and earnestly.

#### VARIOUS FORMS OF PRODUCTIVE CO-OPERATION.

As at present practised, co-operative production arranges itself under three divisions, not entirely distinct from each other, but sufficiently so to admit of a rough classification. Under the first heading we have, what has been termed—

*Domestic Production* as carried on by our Distributive Associations for the benefit of their members, with or without bonus to labour. Closely allied to this form of production is that carried on by our Co-operative Wholesale Societies in their various productive departments. The Store and the Wholesale Society each cater principally for the interests of the *consumers*, and exclude the majority of the workers from having a voice in the management. Under this system of production, which has been designated *Federalism* by Mr J. C. Gray, "the worker has no inducement to throw more than usual energy into his work, as he has no immediate interest in the results, and the system fails entirely to bind him in such close relation to the concern, as would be the case if he had a lively interest in it, in the shape of moneyed responsibility and a voice in the management."

At its best, even with sanitary workshops and trade-union wages, Federalism can only hope to train up model factory *hands*, not men and women imbued with that business capacity and conscious intelligent responsibility in their work, favourable to the development of the mental and moral education required

to fulfil properly the higher duties of citizenship. At the same time, we cannot but recognise in Federalism, a system of production greatly in advance of that which at present obtains in the outside competitive world.

#### PROFIT-SHARING.

We come next to a form of co-operative production now attracting much attention, which has made considerable progress lately in this country, and which is likely to make much more rapid progress in the immediate future, viz.: that known under the broad title of Profit-sharing.

A very able and thorough report upon the various systems of Profit-sharing now in practice has just been presented to the Board of Trade by Mr Lowry Whittle, and issued as a Parliamentary paper. "He shows at the outset that Profit-sharing takes many forms. In some cases it is a thank-offering or *bonus* to the workers for the success of the year. In others, a definite part of the profits is paid over to a *provident fund*. In many instances the workman's share is set aside to enable him to become a *joint owner* in the business. In others, again, the workman receives out of the net profits a *cash payment* determined by the proportion of his contribution in labour to the total amount of labour done. All these schemes are designed to increase profit by stimulating the interest of the workman in his work."

(1) "*The Bonus System*, though condemned as too rudimentary, has many solid results to show. The Piat Iron Foundry in France gives a bonus at the discretion of the owner, and in eight years, the sums so distributed have amounted to over £6,500. The system has especially led to a great improvement in the *quality* of the work." It has also been tried by several English firms with marked success.

(2) "*The Provident Fund System* has been adopted amongst others in this country, by the firm of Cassell & Co., London. Under their arrangements the annual payments have averaged £914, 1s. Every workman after five years' service acquires a claim in case of his death while in the service of the firm, the amount varying according to the length of his service. In 1889 the qualified workmen had claims on a fund of over £9,000 invested in the stock of the

"company." As a Scotch example of the successful application of the Provident Fund System, we may mention the well-known Edinburgh Co-operative Printing Company, now famed for the high-class character of the work it produces.

(3) *The Stock System* of profit-sharing had its birth in France, but has also been adopted by several well-known English firms. The Woodhouse Mills (Huddersfield), Messrs Joshua Hoyle & Sons, and Messrs Tangye Brothers are English examples. The most noted example of the stock "system of profit-sharing is at the iron foundry of Messrs Godin, at Guise (France). The policy of the Godin firm is "that the workmen shall gradually become owners of the "business." It should be further mentioned in connection with the Godin foundry, that the associative principle is carried much further than mere stock holding. In the Familistère, we have a co-operative institution which has attracted the well-deserved attention of all enthusiasts for complete social reform.

"The stock system has been objected to on the grounds "that it increases the number of capitalists simply, and does "not improve the relations between employer and employed. "Such criticisms, however, says the report, raise the question "whether, in cases where this mode of remuneration is "practicable, any better way of improving the relations between "employer and employee is likely to be found than that of "making the labourers joint owners of the concern. Where "such an achievement is possible, we may be sure that the "relations between the capitalist employer and the employed "are not likely to be of a very unpleasant kind."

(4) *The Cash Payment* form of profit-sharing is best known in England. It has been adopted by a considerable number of firms with varying success. One of the most recent examples of this system is that adopted by the Southwark and Deptford Tramway Company with over 100 servants. "If the Company "earns £5,000 of profit in the year, the amount payable to the "staff would be £250. The experience of the South Metropolitan Gas Company (London), in this direction has been, "according to the report, entirely satisfactory."

Finally the report goes fully into the objections raised against Profit-sharing, and thus sums up the arguments on its behalf:—"That in a very large number of industries, where "employer and employee are on terms of mutual respect, an

"intelligent painstaking employer will find in this system a "contrivance which, although requiring much personal care at "first, will ultimately work automatically, to continue and "extend good relations between him and his workmen, to "guard against possible mischiefs in the future, and in the long "run to materially increase his own profits and his people's "well-being." In fact, as has been well expressed in one of our leading daily journals, "the workman of a profit-sharing "firm stands to the workman of one which does not accept "profit-sharing, much in the relation of the farmer with a lease "and a right to compensation for unexhausted improvements to "the tenant at will, *without any claim* to such compensation. "The one has a special motive for industry and devotion to his "work which the other is without."

In the appendix to this report we are given lists of the profit-sharing firms in England, France, and the United States, with a selection of their articles, statutes, and rules.

The number of profit-sharing firms in Great Britain is 51, employing over 11,000 workers. In France there are 81 profit-sharing firms, and in the United States no fewer than 222. It should however be mentioned that the 222 American firms only employ 793 profit-sharers. In Germany, on the other hand—*fostered by their admirable system of People's Banks*—there exists no fewer than 2,404 profit-sharing or co-operative productive associations, according to the returns for the year 1889.

Even if time would permit, it would be tedious to enter into any *very* minute description of the many schemes of profit-sharing now in practice. Such work is more fitting when once a *practical application* of the principle is required or desired.

Before leaving the subject of profit-sharing, I should like to point out, that in many of the schemes now at work, not a few leave the relation between capital and labour much in its present position, and thus run the risk of being sooner or later wrecked on the rocks of Trade-Unionism. To leave the wages question in its present position, is simply to ignore the principal factor in almost all labour disputes that agitate the industrial community. It means the perpetuation of the hostility so often aroused in conflicts over the remuneration of work. In fact,

the new relation between masters and men will require to be more than a mere *commercial contract*. Efforts must be made on the part of the employers to enlist the affections and arouse the better natures of their workmen, if they would attain anything like the success of such captains of industry as Leclaire or Godin.

#### CO-OPERATION IN PRODUCTION.

We must look then for the true solution of the problem, *how to reconcile the conflicting interests of labour, capital, and consumption*, to the formation of purely co-operative industrial associations, in which each of the contributors to the making of the profits has a share of the same, as well as a voice in the management, in proportion to the interests involved.

Every co-operator of any experience is fully conscious of the difficulties in the way of equitably dividing profits, but it is equally well known that no system of division of the profits made in our distributive stores can be strictly equitable, and yet, few will deny that it is a system immeasurably superior to that which at present obtains in the sphere of competitive trading.

Why should the same *practical* spirit not guide us in the matter of profit-sharing in production? It is surely of much more importance to us, *as workers*, that we should try to free ourselves from the bonds of a vicious and degrading system of production—a production not only detrimental in many instances to the health and character of those employed, but a production carried on for the most part by the many for the aggrandisement and increase of luxury among the few—it is surely then of much more importance to us as workers and wage receivers, that we should try to free ourselves from such a system, than that we should quarrel and dispute over the *details* of methods of production or modes of profit-sharing.

Let the *principle* of profit-sharing be first recognised, begin to work on any system that recommends itself as fairly equitable to *all* the interests concerned, and future experience will furnish facts for improving the methods of dividing profits, and adjusting the business relations of the various productive and distributive associations to each other.

Many systems are now in successful operation in flourishing productive societies, both in this and other countries. Witness the prosperity of such societies as the Hebden Bridge Fustian, the Paisley Manufacturing, the Scottish Farming, and the Scotch Tweed Manufacturing Companies. Each of those associations is trying to solve the labour problem on advanced co-operative lines. Let us give them our support in custom and capital, and where expedient and judicious, let us imitate their example, and plant all over Scotland, similar centres of co-operative life in productive industries, which will go further than floods of co-operative literature or eloquent addresses to educate both employers and employed into the conviction that in productive co-operation they have a powerful remedy for removing the *forced antagonism* they are at present compelled to maintain towards each other.

Most of us look to a higher ideal, a more complete emancipation of labour, a more lasting union between worker and employer. Such an ideal, such a union, has been sketched out in the works of some of our leaders, to which you all have access through the publications of the Co-operative Union Limited. It would be useless for me to go over the ground again with you; only, while advocating some higher ideal, let us never forget to take advantage of any scheme that promises to better our conditions of life as workers, and prepare us for the more responsible positions and higher social duties now too much monopolised by a very few of the members of our vast community. Further, let us be equally mindful of the fact that any advantage we may strive after and not attain, may become the inheritance of our children, because we have dared to struggle for it. A man's life is surely not worth living, if he can only look to *self* as the prime mover of all his motives and actions. In fulfilling the doctrine of self-help, we must look to the general advance of humanity, rather than to the little circle we live in, if we would have our influence and works bear fruit worthy of the high principles we preach.

Regarding the question from a more practical point of view, I believe it is quite within the range of our Scotch co-operators to put into practice a co-operative undertaking in connection with the iron industries, provided that they tackle it with that determination and shrewdness for which they are famed all the world over.



Here are a few words of encouragement and advice from the lips of one of Newcastle's most experienced men of business. Speaking to the Society of Ironfounders in Newcastle in January 1890, Sir B. C. Browne thus gave his opinion on industrial co-operation as applied to the Iron Industries:—"One question they had to consider was how much capital was required to employ a workman. He believed it would take about one-year-and-a-half's wages as capital to employ a worker. If, therefore, a business concern was to pay £100,000 in wages in a year, they ought to have at least £150,000 or £200,000 to begin with. If the workmen, he considered, had at least one year's wages to commence with, they might start works of their own as soon as they pleased. His own impression was, if the time came when workmen started their own works—and he thought they were nearly ripe for it—and if these works were started on a sound principle, they would become the property of the men in ten years. What has been done by the carrying trade for the middle classes, ought certainly to be done by the constructive trades for the working classes."

Now with regard to less ambitious co-operative enterprises, every Conference Association, every Distributive Store, has it within their power to make a beginning among the minor industries in their own districts.

The formation of co-operative associations for the fulfilment of contract work, such as draining, carting, erecting fences, loading and unloading vessels, &c., &c., would be useful work. Bo'ness and Burntisland have already their societies of dock labourers working together in some rough co-operative fashion. The London dock labourers under the direction of their National Union, have floated a similar organisation which promises to be successful, and there are hopes that the Leith dockers will shortly follow the example shown them by their brethren elsewhere.

Again, Mr Swallow of Leeds, in his 1886 Congress Paper on Co-operative Production, enumerates a number of trades—"joiners, builders, painters, brush-makers, nail-makers, steel and fancy goods makers, shoemakers, tanners, slaters, carriers, &c., as being likely ones to try."

"In none of these would it be necessary to sink a very large capital in fixed plant, machinery, &c., and in all of them, the amount earned by labour bears a large proportion to the capital sunk, while in most of them the capitalist or middle-man comes in for a good slice of results, which might fairly be claimed by the workman."

Italy has shown us the way in the organisation of unskilled labour into co-operative societies. At Ravenna, a society has been formed of men who undertake railway, canal, and drainage work. Although only started in 1883 by 303 associates, the number has since risen to 2,600, and they have actually undertaken contract work in other countries besides their own, and accomplished it successfully.

Capital is sometimes made out of the fact that a number of efforts at co-operative production have failed in the past. True, but what of that? Have not many Distributive Associations gone down, and still we have not lost faith? Why! in the ordinary commercial world, the failures can be counted by the thousands every year. During the eight years ending December 1887, no fewer than 73,059 failures are recorded. Every week we have hundreds of bankruptcies and still fortunes are made, and prosperity smiles upon many.

What soldier or general of any worth looks o'er the battlefield and babbles of the dead, when he should be facing the enemy and gaining victories for the benefit of the living?

The form that co-operative productive associations will assume in the future will largely depend on the motives and general character of the men and women who promote and support them, hence the importance of keeping up a constant flow of healthy educative influence throughout our ranks. What we want is a full recognition of the principle of profit-sharing, and wherever it is planted it will grow, if properly nourished; while under the influence of a progressive policy, let us hope that the higher forms of association will gradually supersede the lower, and thus, in some measure, accomplish the aims of all true social reformers—

"For slow and sure comes up the golden year,  
 "When wealth no more shall rest in moulded heaps,  
 "But smit with freer light, shall slowly melt  
 "In many streams, to fatten lower lands,  
 "And light shall spread, and man be liker man,  
 "Through all the seasons of the golden year."

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